

IBM 3270 PLUG COMPATIBLE TERMINAL
SYSTEMS PRICING STUDY

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IBM 3270 Plug Compatible Terminal

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IBM 3270 PLUG COMPATIBLE TERMINAL
SYSTEMS PRICING STUDY

Prepared For:
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SYSTEM COMMUNICATIONS DIVISION

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IBM 3270 PLUG COMPATIBLE TERMINAL SYSTEMS PRICING STUDY

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I INTRODUCTION

I INTRODUCTION

A. STUDY OBJECTIVES

- This report was prepared by INPUT as a custom study for the IBM System Communications Division, Harrison, New York.
- It is an extension of previous work done by INPUT for IBM that was concerned with the teletypewriter compatible CRT terminal marketplace.
- The objectives of this study are to:
 - Examine the pricing practices in the IBM 3270 compatible terminal systems marketplace.
 - Determine the discount pricing policies of the vendors specified by IBM.
 - Obtain (where possible) quantity discount price schedules for the vendors and equipment models specified by IBM.
 - Obtain (where possible) display list prices for the displays in the systems specified by IBM.

B. METHODOLOGY

- A questionnaire addressing the objectives was prepared by INPUT and modified by the Systems Communications Division of IBM at a joint meeting in Harrison, New York. The questionnaire is Appendix A.
- Telephone interviews were the sole data gathering method used in the study.
- The home office of each vendor was called initially for the information.
- If, for some reason, not all of the information required was offered by the home office, the regional and branch offices were contacted.
- In several cases no information was obtainable from the home office and all of the information came from the branches.
- In all cases at least two groups within a particular vendor organization were contacted.
- INPUT was identified as a consultant to all vendors. In order to obtain useful information from the branches an equipment configuration was used.
- IBM was never identified.
- To insure vendor privacy a respondent letter code on the exhibits in Sections III and IV was repeatedly changed so that no vendor could be tracked from exhibit to exhibit. Any exceptions are noted in the text.
- Section III is a summary of the responses to the questionnaire and an overview of the pricing practices in the 3270 compatible marketplace. Section IV brings together all of the discount pricing policy information for a particular respondent in a profile of that respondent.

- An oral presentation was made to IBM in Harrison, New York on August 15, 1979. The material presented is in Section III and Section IV of this report.

II EXECUTIVE SUMMARY

II EXECUTIVE SUMMARY

A. KEY CONCLUSIONS

- Vendors of IBM 3270 compatible terminal systems will offer discounts in order to close a sale.
 - Discounts are not standard. They vary from 2% to 40%.
 - The maximum discounts offered ranged from 8% to 40% (Exhibit II-1).
- Most vendors discount on a custom basis only, looking at each customer individually. The total configuration, especially the equipment mix, is considered when approving a discount price. In general, discounts are based upon the margins available to the vendor on the "total package" being bid to the customer. This is the vendor's leeway and the discount allowed by the vendor depends upon how much potential he sees in the customer over a reasonable time period.
- The home office must approve all major discounts. Regional offices and branches have some freedom, but not very much. Quoted discounts varied between:
 - Salesmen in the same branch.

EXHIBIT II-1

GREATEST DISCOUNT QUOTED BY A VENDOR UNDER ANY CONDITIONS

RESPONDENT	DISCOUNT (%)
A	8
B	13
C	20
D	12
E	10
F	14
G	NOT AVAILABLE
H	20
I	26
J	20
K	30
L	40
M	23
N	30
O	NO DISCOUNT

- Branches.
 - Branches and the home office.
 - Even if the branches had a fixed discount schedule the home office would approve greater discounts if the vendor wanted the business.
- In the 3270 compatible market the "deals" are between the end user and the manufacturer. This is in contrast to studies done in the teletypewriter compatible CRT marketplace where the "deals" were between the manufacturer and the distributor.
- Prices are difficult to get along the "dealing" distribution channel. Where the "dealing" distribution channel is between the manufacturer and the distributor, the end user quantity discount prices were easily obtained. In the marketplace considered in this study, the end user quantity discount prices were much more difficult to come by because of price fluidity along the "dealing" channel.

B. COMPANIES CONTACTED

- The companies listed in Exhibit II-2 were designated by IBM and were contacted by INPUT.
- Northern-Telecom has bought DATA-100 and Sycor. The branches of these companies have, in general, been combined. The telephone operator responds "Northern Telecom." The discount policies have not yet been merged into a single policy. Since they both have 3270 compatible product lines only one will survive. A respondent at the home office of one of the companies indicated that the Sycor line would remain.

EXHIBIT II-2

COMPANIES CONTACTED

- AT&T
- COMPUTER OPTICS, INC.
- DATA 100 - NORTHERN TELECOM
- FOUR PHASE SYSTEMS, INC.
- HARRIS CORPORATION - DATA COMMUNICATIONS DIVISION
- HONEYWELL - INCOTERM
- ITT COURIER TERMINAL SYSTEMS
- MEMOREX CORPORATION - COMMUNICATIONS GROUP
- RAYTHEON DATA SYSTEMS COMPANY
- SYCOR - NORTHERN TELECOM
- TELETYPE CORPORATION
- TELEX TERMINAL COMMUNICATIONS, INC.
- TRIVEX, INC.
- WESTERN UNION DATA SERVICES
- WORDSTREAM CORPORATION/GENESIS ONE

- Memorex Corporation has very good control over their branches and home office personnel. Very little useful information could be gleaned from them.
- One company sent a price list showing all the sales offices but many of the offices were telephone services that sent the callers name to the home office for call back.
- Harris Corporation contacted the local branch and had them call INPUT. The home office then followed-up and checked that the branch had actually called.
- Western Union Data Services has had some recent financial problems and the organization is essentially being folded into the Western Union Telegraph Company.
- In all cases at least the home office and a branch office were contacted. If the home office offered price information a branch was contacted as a cross check on the pricing structure. Exhibit II-3 shows at which organization level the questionnaire was answered and at which level pricing information was volunteered. The respondents answered the questions in a positive way, generally, and those offering pricing information seemed to do so forthrightly.

EXHIBIT II-3

INFORMATION SOURCES

RESPONDENT	QUESTIONNAIRE	PRICING
A	H.O.	----
B	BR.	DIFFERENT BR.
C	BR.	BR.
D	H.O.	H.O./BR.
E	BR.	H.O./BR.
F	REG.	BR.
G	H.O.	BR.
H	H.O.	H.O.
I	BR.	DIFFERENT BR.
J	REG.	BR.
K	H.O.	H.O.
L	H.O.	H.O.
M	H.O.	H.O./BR.
N	H.O.	H.O./BR.
O	BR.	BR.

H.O. = HOME OFFICE BR. = BRANCH REG. = REGIONAL OFFICE

III QUESTIONNAIRE ANALYSIS

III QUESTIONNAIRE ANALYSIS

A. LIST PRICES

- Almost every 3270 compatible product line contains large number of features and options that may require different controllers, adapters, and displays. In at least one case there were over 20 different display models. In such a case, when the interviewer requested display list prices, the respondent seemed so exasperated that no prices would have been obtained unless the request was quickly limited.
 - The limited display price request was for a 1,920 character display without keyboard. In some cases the keyboard price could not be separated from the display price. These cases are noted along with the display list prices in Exhibit III-1.
- The respondents are in the same order in Exhibit III-1 and III-2 in order to match up controller price with display price.
- Respondent C offered two separate displays - the less expensive one for attachment to his own controller and a more expensive one for attachment to IBM's 3271 and 3272 controllers.

EXHIBIT III-1

DISPLAY LIST PRICES
OBTAINED FROM VENDORS

RESPON- DENT	DISPLAYS - 1920 CHARACTERS WITHOUT KEYBOARD						
	PURCHASE DOLLARS	LEASE PERIOD \$/MONTH					
		1 yr.	2 yrs.	3 yrs.	4 yrs.	5 yrs.	RENT
A	2500(1)		69(1)				
B		N O L I S T P R I C E S					
C	1850 2080	67 90		56 76		50 68	
D	2500(1)			83.45 (1,2)			
E	1400		31				
F	1335	N O T A V A I L A B L E F O R L E A S E					
G	3066(1)	73(1)		58(1)			
H	2026			55		48	
I	1800	65	57	53		50	
J		B U N D L E D P R I C I N G O N L Y					
K	1890	97	72	60	51	47	
L	3400	115	95	85			125 RENT
M	2160(1)	54(1)		41(1)			
N							82 RENT
O	1845	41		35(3)			

- (1) INCLUDED KEYBOARD
(2) FULL PAYOUT LEASE
(3) 42 MONTH LEASE

EXHIBIT III-2

CONTROLLER LIST PRICES
OBTAINED FROM VENDORS

RESPONDENT	CONTROLLERS FOR 8 DISPLAYS						
	PURCHASE DOLLARS	LEASE PERIOD \$/MO.					
		1yr.	2yrs.	3yrs.	4yrs.	5yrs.	RENT
A	3950 (1,2)		145 (1,2)	125 (1,2,3)	118 (1,2,3)		
B			NO LIST PRICES				
C	9000			250		230	
D			NONE				
E	6920		135				
F	4822 7563		NOT AVAILABLE FOR LEASE				
G	11,508(2) 30,282(4)	274(2) 721(4)		219(2) 577(4)			
H	12,300 L 5,161 R			295 89		240 63	
I	6,000 R 7,350 L	225 250	200 225	180 200		165 185	
J			BUNDLED PRICING				
K	3,500		117				
L			NOT AVAILABLE				
M	8,200	217		152			
N							230 233
O	23,940	235		200(5)			

- (1) MINICLUSTER CONTROLLER
(2) INCLUDES ONE DISPLAY WITHOUT KEYBOARD
(3) DATA PRO PRICES

- (4) INCLUDES CARTRIDGE DISK AND ONE DISPLAY
(5) 42 MONTH LEASE

- It is more difficult to establish a base price for a common unit with controllers than with displays. Generally, there were four basic controllers: local, remote, minicluster, and a single display controller.
 - If pricing information on both the basic local and the basic remote controllers was volunteered both were reported. In most cases just a single controller was quoted.
- Most systems are configured using a base controller and adding device adapters as displays are added. The device adapter price is usually much less than the controller. In respondent F's case the device adapter is more expensive than the controller so both prices are charted on Exhibit III-2.
- The two controller prices for respondent G are for two different systems.
- The "L" and "R" by respondents H and I's controller prices stands for local (L) and remote (R).
- Respondent J's bundled prices are:

<u>Description</u>	<u>Purchase Prices</u>	<u>3 Yr. Lease Prices</u>	<u>5 Yr. Lease Prices</u>
Controller, 16K CORE memory, 8-960 character displays	\$19,570	\$ 637/mo.	\$431/mo.
Controller, 16K MOS memory, 8-1920 character displays	18,640	606	410
Controller, 16K CORE memory, 8-1920 character displays	21,055	637	431
Controller, 16K CORE memory, 16-960 character displays	31,415	1,021	692
Controller, 32K MOS memory, dual diskette drive, 8-1920 character displays	23,244	755	511
Controller, 32K CORE memory, dual diskette drive, 8-1920 character displays	\$26,056	\$ 847/mo.	\$571/mo.

- In any analysis of lease discounts it must be remembered that maintenance is included in lease prices. Maintenance prices are a constant additive factor across all lease terms. In order to obtain true discount rates from one lease term to the next, allowance must be made for the maintenance constant.

B. CONTRACT TYPES AVAILABLE

- Most vendors offered 3270 compatible terminals for purchase and lease. One vendor offered a purchase plan only and one only rented the equipment (Exhibit III-3).
- Three vendors sold the equipment on an installment basis over a five year period. This is a firm purchase order, even though the payments are spread out, so the vendor books it as a sale when the contract is signed and the investment tax credit is taken by the purchaser. Installment purchase contracts (Time Payment Sale, TPS; Full Pay-out Lease; Conditional Sale) usually carry higher monthly payments than the same term on a lease basis. This is due to the way interest on the money is calculated along with the residual value of the equipment at the end of the lease period.
- One vendor offered one and two year rentals through the home office only. This plan was in place of leases for less than three years and carried much higher monthly payments.

C. INDUSTRY DISCOUNTING PRACTICES

- Most vendors offer discounts in some way. The exact discount depends upon many conditions. Therefore, all vendors who discount do so on an individual basis.

EXHIBIT III-3

DO YOU OFFER THE 3270 COMPATIBLE
TERMINAL SYSTEMS FOR PURCHASE, LEASE AND RENT?

RESPONDENT	PURCHASE	LEASE/YEARS	RENT
A	X		
B	X	1,2,3,5	X
C	X	1 - 7	X
D	X	1,2,3,5	
E	X	3,5	X-RPQ
F	X 4 yr. TPS	1 - 5	X
G	X 4&5 yr. TPS	1,3,5	X
H	X	1 - 3	X
I			X
J	X 5 yr. TPS	1 - 3	
K	X	1 - 5	
L	X	1 - 4	X
M	X	1,3	
N	X	1,3	
O	X	1,3½	

- The vendors used various terms to indicate the fact that each contract or bid was considered on its own merits. The terms most frequently used were:
 - Total configuration.
 - Custom basis.
 - System basis or discount.
- In effect, for any contract, the vendor will examine his "margin sheets" and make the deal he feels will get the business and still yield a reasonable profit. Sometimes the minimum margins might be shaved if the vendor feels that the add-on equipment sold during the contract period could be sold at standard or close to standard mark-ups.
- Several home office respondents indicated they discounted purchase contracts only (Exhibit III-4). The branches, in many cases, contradicted this and quoted discounts on lease contracts.
- Quantity discounts on lease contracts are formally offered by half of the respondents (Exhibit III-5). The other half that claimed to offer lease discounts (lower monthly payments for a longer lease contract) but no extra discount based upon quantity, generally indicated that nothing was that rigid and the policy could be bent to fit special situations.
- Given that all major discounting is individually computed based upon a multitude of conditions, it follows that very large customers could generate a unique set of conditions that would enable the vendor to grant higher than normal discounts without violating the Robinson-Patman Act (Exhibit III-6).
- Some vendors signed master agreements with very large users, in effect making them OEM's, and then drop shipped equipment to one location, letting the purchaser do the internal distribution. Respondent O on Exhibit III-6 claimed that the company signed master agreements with large users but the

EXHIBIT III-4

HOW DOES PRICING VARY AS A FUNCTION OF QUANTITY?

RESPONDENT	ARE QUANTITY DISCOUNTS AVAILABLE?		DOES THE DISCOUNT VARY BY MODEL?		DOES THE DISCOUNT VARY BY CONTRACT TYPE-LEASE/PURCHASE		COMMENTS
	YES	NO	YES	NO	YES	NO	
A	X			X	PURCHASE ONLY		DOLLAR VOLUME
B	X			X		X	SAME PERCENTAGE
C		X					
D	X		TOTAL CONFIGURATION		X		
E	X		X		PURCHASE ONLY		
F	X		TOTAL PURCHASE		X		
G		X					
H	X			X		X	SAME PERCENTAGE
I	X		TOTAL CONFIGURATION		X		SOMETIMES ON LEASE
J	X		CUSTOM BASIS		PURCHASE ONLY		
K	X		SYSTEM DISCOUNT ONLY		PURCHASE ONLY		
L	X		INDIVIDUAL BASIS		PURCHASE ONLY		
M	X		X		X		
N	X		CUSTOM BASIS		X		
O	X		X		X		

EXHIBIT III-5

IS A DISCOUNT OFFERED BY TERM OF LEASE IN ADDITION
TO OR IN PLACE OF QUANTITY DISCOUNTS?

RESPONDENT	IN ADDITION TO	IN PLACE OF	NOT OFFERED
A		X	
B	X		
C		X	
D		X	
E	X		
F		X	
G		X	
H	X		
I	X		
J			X
K		X	
L	X		
M	X		
N			X
O		X	

EXHIBIT III-6

WOULD YOU GRANT A HIGHER THAN NORMAL DISCOUNT
TO A VERY LARGE COMPANY BASED UPON THE POTENTIAL FINAL ORDER?

RESPON- DENT	YES	NO	UNDER WHAT CONDITIONS? (COMMENTS)	IS THE PRACTICE OF DOING SO PREVALENT IN THE INDUSTRY?	
				YES	NO
A		X	USED TO DO SO--NOT NOW		X
B	X		FINAL ORDER APPROVED INITIALLY	X	
C		X	ESTABLISHED COs. DON'T HAVE TO		X
D	X		OVER 10 SYSTEMS INITIALLY	X	
E		X	ROBINSON-PATMAN IMPLICATIONS		X
F	X		EXPECTED ADD-ON EQUIPMENT ORDERS	X	
G	X		MASTER CONTRACT/OEM STATUS	X	
H		X			X
I	X		ON AN INDIVIDUAL BASIS	X	
J		X			X
K	X		ON AN INDIVIDUAL BASIS	X	
L	X		ALWAYS NEGOTIATE INDIVIDUAL- LY	X	
M	X		MASTER CONTRACT	X	
N	X		NEGOTIATE FINAL ORDER FIRST		X
O		X	MASTER CONTRACT	X	

discounts weren't higher than normal. In fact, a specific case was quoted where the master agreement hadn't been updated to the new prices and so the discounts were lower than standard.

- There are many ways of offering discounts that are not as open as quantity or lease term discounts. In this study these have been called "effective discounts" and include such items as:
 - Lower price because the customer does the maintenance.
 - Loaned or free spare parts.
 - Free shipping.
 - Free trial period.
 - Special financing terms.
- Several vendors regularly offered these "effective discounts" (Exhibit III-7) while some felt that "established companies with reliable products don't have to do those things", even though they may have engaged in such disdainful activities when they were new in the industry or marketplace.
- Vendors were asked two catch-all questions concerning pricing practices (Exhibit III-8 and III-9). These turned up no significant discounting techniques. Some practices that one vendor may feel are unique another may feel are widespread.
- One vendor offered functional discounts only, differentiating between types of customers. These discounts were available at any order quantity.
- As far as the field sales force is concerned, the 3270 compatible marketplace is an end-user marketplace. As shown in Exhibit III-10 most vendors sell to OEM's and, in general, the branches know this fact, but they get no credit for such sales and OEM's are handled by the home office.

EXHIBIT III-7
ARE THERE ANY CONDITIONS UNDER WHICH
YOU OFFER AN "EFFECTIVE DISCOUNT"?

RESPONDENT	YES	NO	FACTORS INVOLVED (COMMENTS)
A		X	IN 90% OF CASES. WON'T TALK ABOUT REST
B	X		OWN MAINTENANCE, LEND SPARE PARTS FREE SHIPPING, SPECIAL FINANCING TRADE - INS
C		X	
D		X	FREE TRIAL WHEN NEW VENDOR, NOT NOW - ESTABLISHED
E		X	
F		X	
G		X	
H	X		FEELS MANY ARE NEGOTIABLE
I		X	
J	X		FREE SHIPPING
K	X		TRADE-IN ON OWN EQUIPMENT
L		X	ESTABLISHMENT COs. DON'T HAVE TO
M		X	
N	X		OWN MAINTENANCE, FREE SHIPPING, FREE TRIAL, SPECIAL FINANCING, TRADE-IN, OTHER
O	X		FREE TRIAL PERIOD - VERY RARELY

EXHIBIT III-8

ARE THERE ANY OTHER TERMS AND/OR CONDITIONS UNDER WHICH
YOU OFFER DISCOUNTS FROM LIST PRICE?

RESPONDENT	YES	NO	TERMS AND/OR CONDITIONS
A		X	
B	X		FEDERAL GOVERNMENT GETS BEST PRICE STATE & LOCAL GOVERNMENT GETS DISCOUNT
C	X		COMPETITION
D	X		ITC PASSED ALONG ON PURCHASE AND SOMETIMES ON TPS
E		X	ESTABLISHED COs. HAVE NO NEED TO DISCOUNT
F		X	
G	X		LEASE RENEWALS AT LOWER PRICE
H		X	
I	X		USUALLY NOT BECAUSE THEY ARE ESTABLISHED VENDORS. ON TOTAL DEAL SOMETIMES
J		X	
K		X	
L		X	
M		X	
N		X	
O		X	

EXHIBIT III-9

DO YOU HAVE ANY UNIQUE PRICING PRACTICES?

RESPONDENT	YES	NO	DESCRIPTION
A		X	
B	X		LIBERAL RENTAL CREDITS TOWARDS PURCHASE
C		X	
D		X	
E		X	
F	X		ON PURCHASE-GUARANTEED TRADE-IN
G	X		36 MONTH RENTAL WITH FULL BUY OUT
H	X		FUNCTIONAL DISCOUNTS
I		X	
J		X	
K		X	
L		X	
M		X	
N		X	
O		X	EST. CO., ROBINSON-PATMAN TREATS ALL SAME

EXHIBIT III-10

DO YOU OFFER YOUR 3270 COMPATIBLE TERMINALS
TO OEMs AS WELL AS TO END USERS?

RESPONDENT	YES	NO	ARE THE DISCOUNT PRICE SCHEDULES TO EACH DIFFERENT?	
			YES	NO
A	X		X	
B		X	-----	-----
C		X	-----	-----
D	X			X
E	X		X	
F	X		X	
G	X		X NO MAINTENANCE OWN SOFTWARE	
H	X		X	
I	X		X	
J		X	-----	-----
K	X		NO IDEA	SPECIAL SALES FORCE
L		X	-----	-----
M		X	-----	-----
N	X			X
O	X		NO IDEA -	H.O. HANDLES

- If the product is 3270 compatible, the OEM will program enhancements such as local format control, etc., to add value to the system. If the product is a general system programmed to be 3270 compatible the OEM might orient it toward different markets.
- Industry pricing practices are very much dependent upon IBM. Most respondents felt that they will be able to keep up with IBM if IBM drops the price below current levels.
- A lot of concern was expressed (Exhibit III-11) by the respondents about the purchased 3277s that are beginning to hit the secondary markets. This will drop the price and make it more difficult for vendors of new equipment to sell their 3277 compatible terminals.
- If the economy slides much more than it has, many companies will delay purchasing new equipment. This will result in excess inventory and the price of both the 3277 and the 3278 compatible equipment will drop.

EXHIBIT III-11

DO YOU THINK INDUSTRY PRICES AND PRICING PRACTICES WILL
REMAIN THE SAME FOR THE NEXT: (PERIOD AS SHOWN BELOW)

RESPON- DENT	6 MONTHS	12 MONTHS	24 MONTHS	WILL NOT STAY STABLE	COMMENTS
A				X	DEPENDS UPON ECONOMY
B		X			DELAYED PURCHASE EXCESS INVENTORY
C		X			
D			X		KEYED TO IBM - CLD EQUIPMENT WILL DROP
E		X			125K PURCHASE OLD TO SECOND- ARY MARKET
F				X	AT&T TARIFF CUT THEIR BUSI- NESS
G			X		SMALL DROP - OLD EQUIPMENT PRICE DROP
H			X		HARDWARE DOWN, SOFTWARE UP = STABLE
I				X	5-7% DOWN NEXT 6-8 MONTHS 3277 EQUIPMENT AT BOTTOM
J	X				NEW PRICES FOR 3278 EQUIPMENT SOON
K		X			IF IBM CHANGES, INDUSTRY WILL
L				X	WILL BE PRICE EROSION
M	X				PRICE WAR GOING ON NOW
N		<u>D O N ' T K N O W</u>			
O				X	GLUT OF 3277's WILL DROP PRICE

IV RESPONDENT DISCOUNT POLICY PROFILES

IV RESPONDENT DISCOUNT POLICY PROFILES

A. INTRODUCTION

- Section III provided an overall picture of the pricing practices in the 3270 compatible terminal marketplace. Section IV, the Respondent Profiles, aggregates each respondent's answers in a search for a company "discounting policy." Each exhibit represents a separate respondent, except for Respondent J whose full response required two exhibits.
- The exhibits are self-explanatory, so only those items that require amplification will be specifically delineated.
- Respondent A's (Exhibit IV-I) multi-year lease has a unique clause that permits cancellation of the lease without penalty after a fixed time period. For example, a three year lease can be ended after two years or a five year lease can be ended after three years, etc.
- Respondent J (Exhibit IV-II) requires customers, who are going to do their own maintenance, to sign a separate agreement stipulating that the vendor will train all of the customer's maintenance personnel and that only vendor trained personnel will maintain the equipment.
 - Surface transportation costs must be included in each bid. Since the vendor is always late in shipping the system, in order to insure that it

will arrive by the date stipulated in the contract, the vendor ships by air at the vendor's cost. Salesmen know this and plan delivery dates such that the system will always be air freighted at the vendor's expense.

- The Fiscal Funding Contract of Respondent J is 5% higher than standard rates to account for the risk of having funds not appropriated in any year by a state or local government. If, however, the governmental body pays the vendor for the full year at the time the money is appropriated, saving monthly billing costs, the customer only pays the standard commercial rate for that year.
- The best deal for the customer, according to the respondent for vendor J (Exhibit IV-11), is a purchase option credit exercised after one year. In this case, 70% of the money paid is deducted from the purchase price, so in effect the customer only pays for maintenance, and if the option is exercised before the full year is up the customer can get the investment tax credit.
- The general statement by Respondent N in Exhibit 15 that the "actual discount depends upon the mix of bought versus manufactured equipment in the configuration" primarily refers to the number of printers purchased. Printers are the most expensive "bought" option with the least margin and so the more printers the less margin available and the lower the discount allowed.

EXHIBIT IV-1

RESPONDENT A

- Quantity discounts start at 10 displays.
- Approximately same percentage discount for purchase and lease.
- Maximum discount is about 8%.
- Multi-year lease has "no penalty out" clause after fixed period (2 years out of 3).
- Higher than normal discount is a sales tool rather than a company philosophy.

EXHIBIT IV-2

RESPONDENT B

- Purchase only quantity discounts.
- Discounts are on a custom basis.
- Greater discounts on displays, less on controllers.
- Master agreement with large users may contain higher than standard discounts.
- Branch quoted quantity prices:

MODEL	NUMBER OF UNITS			
	1 - 10		11 - 50	
	PURCHASE	2 yr. LEASE	PURCHASE	2 yr. LEASE
CONTROLLER	\$4,200	\$165/mo.	\$3,950	\$151/mo.
DISPLAY WITH KEYBOARD	\$2,300	\$ 71/mo.	\$2,000	\$ 71/mo.

- The above prices are in conflict with list prices quoted by different person in same branch.

EXHIBIT IV-3

RESPONDENT C

- Home office admits to purchase only quantity discounts.
- Branch quotes quantity discount on both purchase and lease prices.
- Home office - 10% is typical discount.
- Final discount is individually determined for each customer's configuration.
- Branch quoted 20% discount on both purchase and lease at the 30 CRT level.
- Branch says "discount is not fixed, will vary depending on a number of conditions."
- Effective discounts
 - Free trial period up front prior to contract.
 - Installment purchase with interest tied to prime rate.
 - Trade-in allowance is non-standard, individually determined.
 - Loan spare parts to customer in remote areas.

EXHIBIT IV-4

RESPONDENT D

- Quantity discount is unofficial.
- Discounts are given based upon the total proposal.
- Quantity discounts on purchase and lease contracts.
- Branch has no authority to give discounts.
- Maximum discount is 10% to 12%.

EXHIBIT IV-5

RESPONDENT E

- All quantity discounts are on a custom basis.
- Quantity discounts are available for purchase and lease contracts.
- Approximately 10% discount can be expected at about the 50 display level.
- Branch quoted 10% at the 30 display level.
- Trade-in allowances are given on their own equipment.

EXHIBIT IV-6

RESPONDENT F

- Quantity discounts on purchase only.
- Quantity discounts quoted on a system only.
- Purchase prices are usually 42 times the one year monthly rate. A reduction on a purchase contract to a 36 multiple is possible. This is approximately a 14% discount.

EXHIBIT IV-7

RESPONDENT G

- Quantity discounts available on purchase and lease contracts.
- Quantity discounts differ by model.
- No branch would quote any prices, they all referred caller to home office.
- Home office would not quote prices.

EXHIBIT IV-8

RESPONDENT H

- Quantity discounts are available on purchase and lease contracts.
- Quantity discounts are not particularly great. For example; a display, printer and controller leasing for \$200 per month on a 3 year full pay out basis would only decrease 2% to 3% at the 1,000 unit level and about 5% on a 5 year full pay out lease.
- Larger discounts are offered for increasing the lease period.
 - Each year's increase of the lease term drops the monthly cost by about 5%.

EXHIBIT IV-9

RESPONDENT I

- Purchase and lease prices differ depending upon the memory used.
 - MOS memory is less than core memory for the same functions.
- Home office claims 3270 compatible systems have been removed from discount schedule.
- Branch agrees but quotes a quantity price from a printed matrix price chart.
- Salesman is amazed to find that the discount schedule and the price chart agree.
- Quantity discounts on purchase only -

<u>QUANTITY OF DISPLAYS</u>	<u>DISCOUNT FROM LIST</u>
10-19	20%
20-49	22%
50-79	23%
80-199	24%
200 +	26%

EXHIBIT IV-10

RESPONDENT J

- Quantity discounts on purchase primarily and on a system basis only.
- Quantity discounts usually start at the 500 display level.
- A recent discount was approved at the 30 display level in a Honeywell compatible bid. The discount was the "throwing in of lower case." This discount was about 9.5% on each display, but the system discount was less because the controllers were not discounted.
- Lease discounts are about 10% for each 2 year term increase.
 - A 3 year lease is 10% less than a 1 year lease.
 - A 5 year lease is 10% less than a 3 year lease.

EXHIBIT IV-10 (CONTD)

RESPONDENT J

- Effective discounts
 - Customer maintained - Maintenance personnel trained by vendor.
 - Shipping - vendor absorbs difference between air and surface transportation.
 - Financing - Installment purchase, 4 or 5 year plan with 14% simple interest.
 - Trade-in allowance - on purchased equipment - 3% depreciation per month.
 - GSA schedule - is 3% less excluding maintenance.
 - Fiscal Funding Contract - is 5% higher. Commercial rate is allowed if prepaid at beginning of year.
 - Purchase option credits - 1 year lease 70% towards purchase - you pay only for maintenance. Three and 5 year leases have 50% purchase credit.
 - Free trial period - 1 or 2 months, at end of contract. A 3 year lease would run for 37 or 38 months.

EXHIBIT IV-11

RESPONDENT K

- Substantial quantity discounts on purchase and lease contracts.
- Long term lessee could get 10% to 20% off 1 year monthly rate.
- 30% discounts are available on purchase contracts.
- Home office approval is required.

EXHIBIT IV-12

RESPONDENT L

- No quantity discounts.
- 10% to state and local governments.
- 10% to non-profit institutions.
- 40% to OEM's, Federal Government and common carriers.

EXHIBIT IV-13

RESPONDENT M

- Quantity discounts "worked out" by home office on a total system basis for purchase contracts only.
- Different salesman in same branch quotes a 10% lease and purchase discount at the 300 tube level.
- There is a 23% difference between the monthly rate on a 1 year lease and a 5 year lease.

EXHIBIT IV-14

RESPONDENT N

- Discounts on purchase contract vary by dollar volume.

<u>DOLLAR VOLUME</u>	<u>PERCENTAGE DISCOUNT</u>
\$70K to 149K	3-5%
\$150K to 249K	7-10%
\$250K to 499K	10-12%
\$500K plus	15-18%
Maximum \$3,000K	30%

- Actual discount depends upon the mix of bought versus manufactured equipment in the configuration.
- Leasing contracts are for 1-7 years. Can cancel with 30 days notice with substantial penalties.

EXHIBIT IV-15

RESPONDENT O

- No quantity or lease discounts available.
- Small price differences based upon geographic location.
- Effective discount
 - Never a charge for shipping.

APPENDIX A: DEFINITIONS

EXHIBIT A

DEFINITIONS

- Lease
 - Monthly payments for fixed time period.
 - Penalties if cancelled.
 - Title retained by lessor.
 - No ITC credit to lessee.
- Rent
 - Monthly payments for fixed or open ended time period.
 - Thirty or 60 day cancellation without penalty.
 - Title remains with lessor.
 - No ITC credit to lessee.
- Time Payment Sale (TPS)
 - Non-cancellable purchase contract.
 - Monthly payments over a fixed time period.
 - Lessor accounts for it as a sale.
 - Lessee takes ITC.

EXHIBIT A (CONTD)

DEFINITIONS

- Conditional Sales Contract - Same as TPS
- Full Payout Lease - same as TPS
- Fiscal Funding Contract
 - State and local government contract.
 - Risk of non-funding increases cost.
 - Usually term is similar or longer than standard lease.

APPENDIX B: QUESTIONNAIRE

3270 COMPATIBLE CRT TERMINAL SYSTEMS

PRICING STUDY

INPUT is currently studying the 3270 CRT compatible market place from a pricing structure standpoint. We would appreciate your contributing to our study and we will send you a summary of the results when the study is completed. The information is held strictly confidential and by the statistical nature of the results no respondent can be identified.

3270 COMPATIBLE CRT TERMINAL PRICING STUDY

1. Do you sell the following 3270 compatible terminal systems?

MODEL NO.	PURCHASE	LEASE	RENT
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. Do you offer them for:

() Purchase () Lease () Rent

3. Are the following unit list prices correct? (Table in question 1)

() Yes () No

- A. If not, may I please have the latest prices?

(Fill in 2nd column of table in question 1)

4. How does the pricing vary as a function of quantity?

() Doesn't vary

5. Does it differ by model number?

() Yes () No

A. If yes, how does it differ?

6. Does it differ by purchase, lease or rental?

() Yes () No

A. If yes, what are the differences?

7. Is a discount offered by term of lease in addition to or in place of quantity discounts

() In addition to

() In place of

() Not offered

- A. If offered, please explain the conditions under which it is available?

8. Would you grant a higher than normal discount to a very large company based upon the potential final order?

() Yes () No

- A. If yes, under what conditions?

- B. Is this practice prevalent in the industry?

() Yes () No

9. Are there any other terms and/or conditions under which you offer discounts from the list price?

() Yes () No

A. If yes, please describe?

10. Are there any conditions under which you offer an "effective discount?"

() Yes () No

A. If yes, can this involve such factors as:

() Special maintenance provisions: which _____

() Price for total units shipped in time period

() Reduced installation support (e.g. No training, etc.)

() Chargebacks (e.g. Rebate when crossing quantity/price thresholds)

() Free shipping

() Free trial period

() Special financing

() Trade-in allowance

() Other

B. If other, please describe.

11. Do you have any unique pricing practices?

() Yes () No

A. Please describe.

12. Do you offer the _____ to OEM's as well as end users?
(Interviewer will insert specific model)

() Yes () No

A. If yes, are the discount price schedules for each different?

() Yes () No

13. Do you think the industry prices and pricing practices will remain stable for the next:

() 6 months () 12 months () 24 months

() will not stay stable

A. If they will not stay stable, please describe the changes you think will take place?

14. Will you please send me a copy of your price schedule and terms and conditions?

() Yes () No

